Blue Cross
Blue Shield
of Rhode Island

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November 20, 2006

Mr. Christopher Koller
Health Insurance Commissioner
233 Richmond Street
Providence, Rhode Island 02903-4233

RE: Filing of Subscription Rates for Class DIR

Dear Mr. Koller:

This letter, together with the actuarial schedules enclosed, comprises a filing of subscription rates by Blue Cross & Blue Shield of Rhode Island ("Blue Cross") for direct pay subscribers in Class DIR Basic (Pool I) and Preferred (Pool II) programs. This filing includes proposed rates to become effective April 1, 2007.

The rates proposed in this filing will affect the approximately 9,700 subscribers (14,300 members) enrolled as of August 2006 in Class DIR.

Definition of Class DIR

Class DIR is the rating classification for persons not eligible for employer-based (other than as a self employed individual), nor State or Federal programs. Enrollment is on a non-group basis either through direct application to the Plan or through conversion from prior group coverage. Two rating pools are employed in the Class -- the Basic Pool (Pool I) utilizing community rates and the Preferred Pool (Pool II) with rates determined based on the age and gender of the subscriber. Group conversions occur monthly and an annual open enrollment period is conducted for the Basic Pool (Pool I), while enrollment in the Preferred Pool (Pool II) is available continuously throughout the year for applicants passing a health screening.

Benefit Changes Effective With This Filing

Significant product design changes were made in conjunction with the last approved rate filing for Class DIR. Given the magnitude of these changes, Blue Cross does not believe significant benefit changes would be in the interest of the members at this time. However, upon approval, we will remove the deductible from ambulance services to align this service with the emergency services benefit. The following Class DIR products are available:

- *HealthMate Coast-to-Coast Direct Plan 400/800:* Includes a $400 per individual/$800 per family deductible, 10% member paid coinsurance in-network for hospitalization, lab tests, and x-rays, $20 PCP/$40 Specialist co-payments for in-network services (no deductible), and member paid coinsurance of 20% generic/25% brand/50% non-preferred and specialty prescription drugs at participating pharmacies. Pharmacy coverage does not apply toward

the deductible. The plan includes an in-network out of pocket maximum of $2,500 per individual / $5,000 per family. In general, member cost share is greater at out-of-network providers.

- *HealthMate Coast-to-Coast Direct Plan 2000/4000:* This plan is comparable to HealthMate Direct 400/800. The only differences are the deductible, coinsurance percentages, and out of pocket maximums. The deductible is $2,000 per individual / $4,000 per family under HealthMate Direct 2000, and the member paid coinsurance is 20% for in-network benefits. The out of pocket maximums for the HealthMate Direct 2000/4000 plan are $3,000 and $6,000 for individual and family respectively for in-network services. Pharmacy coverage does not apply toward the deductible.

- *HealthMate for HSA Direct Plan 3000/6000:* The HealthMate for HSA 3000/6000 product includes deductibles of $3,000 per individual / $6,000 per family. These deductibles apply to all covered services except certain preventive care services. Prescription drug coverage is applied toward the deductible. After satisfaction of the deductible, in-network benefits are paid at 100% for all covered services. In general, member cost share is greater at out-of-network providers.

- *HealthMate for HSA Direct Plan 5000/10000:* The HealthMate for HSA 5000/10000 product is comparable to the HealthMate for HSA 3000/6000 product. The only difference is the amount of the deductibles. The deductibles are $5,000 per individual / $10,000 per family. These deductibles apply to all covered services except certain preventive care services. Prescription drug coverage is applied toward the deductible. After satisfaction of the deductible, in-network benefits are paid at 100% for all covered services. In general, member cost share is greater at out-of-network providers.

Required Rates

Blue Cross last filed rate changes for its Class DIR subscribers on October 28, 2005 for an effective date of April 1, 2006. The Office of the Health Insurance Commissioner (OHIC) approved this rate filing with modifications on February 20, 2006. The overall average rate increase projected with this filing, exclusive of any Premium Assistance amounts, is 7.8%.

All rates included in this filing will remain in effect for the twelve-month period commencing April 1, 2007. The Class DIR Basic (Pool I) required monthly rates and the Preferred (Pool II) required monthly rates for the four Direct Pay products are included in the table below:

Required Basic (Pool I) Monthly Rates

		HM 400	HM 2000	HM for HSA 3000	HM for HSA 5000
Under 65	Individual	$617.72	$464.23	$397.84	$314.32
	Family	$1,168.10	$878.94	$753.86	$596.50
65 and over	Individual	$969.74	$728.35	$623.94	$492.57
	Family	$1,834.51	$1,378.93	$1,181.88	$933.96

Required Preferred (Pool II) Monthly Rates

		HM 400	HM 2000	HM for HSA 3000	HM for HSA 5000
Under 25	Male	$185.44	$139.90	$120.20	$95.41
	Female	$258.07	$194.40	$166.85	$132.20
	Family	$621.21	$468.62	$402.62	$319.57
25-29	Male	$204.78	$154.41	$132.62	$105.21
	Female	$292.02	$219.87	$188.66	$149.39
	Family	$694.63	$523.71	$449.78	$356.75
30-34	Male	$232.81	$175.44	$150.63	$119.40
	Female	$346.50	$260.75	$223.65	$176.97
	Family	$736.08	$554.81	$476.40	$377.74
35-39	Male	$265.97	$200.32	$171.92	$136.19
	Female	$343.74	$258.67	$221.87	$175.57
	Family	$776.35	$585.02	$502.26	$398.13
40-44	Male	$284.13	$213.95	$183.59	$145.39
	Female	$375.71	$282.66	$242.41	$191.77
	Family	$793.32	$597.76	$513.16	$406.72
45-49	Male	$342.95	$258.08	$221.37	$175.17
	Female	$415.98	$312.87	$268.27	$212.16
	Family	$835.56	$629.45	$540.29	$428.11
50-54	Male	$433.74	$326.20	$279.68	$221.15
	Female	$485.46	$365.00	$312.90	$247.34
	Family	$929.52	$699.95	$600.64	$475.69
55-59	Male	$554.93	$417.13	$357.52	$282.52
	Female	$553.75	$416.25	$356.76	$281.92
	Family	$1,039.26	$782.29	$671.12	$531.26
60-64	Male	$593.23	$445.86	$382.12	$301.91
	Female	$593.23	$445.86	$382.12	$301.91
	Family	$1,128.48	$849.23	$728.43	$576.44
65 and over	Male	$969.74	$728.35	$623.94	$492.57
	Female	$969.74	$728.35	$623.94	$492.57
	Family	$1,834.51	$1,378.93	$1,181.88	$933.96

Filing Schedules
Schedules displaying the proposed rates and detailed actuarial schedules documenting the calculation of the required rates are enclosed as Schedules 1 through 65. Schedule 60 pertains to the Hospital, Surgical/Medical, and Preferred Rx claims projections, and is being submitted confidentially under separate cover.

The underlying actuarial methodology used in the preparation of the required rates in this filing is similar in nature to the previous Class DIR rate filing submitted to the OHIC. The filing schedules and supporting actuarial pre-filed testimony detail the rating methodology.

Pre-Filed Testimony
Enclosed with the filing is pre-filed testimony of Thomas Boyd, Executive Vice President, who will be Blue Cross' policy witness, and myself, who will be Blue Cross' actuarial witness at the upcoming rate hearing on this matter. We believe submitting the pre-filed testimony with the rate filing itself will make the discovery process more efficient and decrease the length of time of all aspects of the hearing process.

Affordability as Addressed in the Rate Filing
In consideration of previous rate decisions issued by the OHIC, Blue Cross has taken many steps to address the issue of affordability in this rate filing. Specifics of these programs are detailed in the pre-filed testimony of Mr. Boyd.

Conclusion
The development of the actuarial assumptions has been developed by my staff and reviewed by myself. I certify that this rate filing was developed utilizing sound actuarial assumptions and methodologies.

In accordance with the filing fee requirements contained in section 42-14-18 of the General Laws of Rhode Island, a filing fee of $100 ($25 per each policy) has been included with this filing. This filing pertains to the following policy form numbers which have been submitted to the Department under separate cover:

- Form Number HMC2C DIRECT SA 400/800 (04/07)
- Form Number HMC2C DIRECT SA 2000/4000 (04/07)
- Form Number HM HSA DIRECT SA 3000/6000 (04/07)
- Form Number HM HSA DIRECT SA 5000/10000 (04/07)

We respectfully ask for your timely approval of this filing as submitted. Blue Cross and Blue Shield of Rhode Island believes that the proposed rates are in the interest of both the public and the Corporation.

As always, we shall be pleased to provide any additional information that you, or the OHIC's staff and consulting actuary, may require.

Sincerely,

John Lynch, F.S.A., M.A.A.A.
Chief Actuary

JL/swl

Enclosures

cc: Mr. G. Rollin Bartlett, FLMI, CLU, CHFC, CIE
Mr. Normand G. Benoit, Esquire
Mr. John A. Cogan, Jr., Esquire
Mr. Charles C. DeWeese, F.S.A., M.A.A.A.
Ms. Genevieve M. Martin, Esquire
Mr. James E. Purcell
Mr. Thomas Boyd
Mr. James Joy